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D Billye Sanders
(615) 850-8951
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August 2, 2004

VIA HAND DELIVERY

Pat Miller, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37219

04 AUG 2 PM 1 56
TN REGULATORY AUTHORITY
DOCKET ROOM

Re: Petition of Chattanooga Gas Company for Approval of Adjustment
of its Rates and Charges and Revised Tariff
Docket Number 04-00034

Data Requests to Interveners

Dear Chairman Miller:

Enclosed you will find 1 copy of Supplemental Data Requests that Chattanooga Gas Company has served on the Interveners in this docket, i.e., the Consumer Advocate and Protection Division, Chattanooga Manufacturers Association.

Sincerely,

D. Billye Sanders/hmd

D. Billye Sanders
Attorney for Chattanooga Gas Company

DBS/hmd
Enclosures

cc: Parties of Record
Archie Hickerson
Steve Lindsey
John Ebert, Esq.
Elizabeth Wade, Esq.

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August 2, 2004

VIA HAND DELIVERY

Vance Broemel
Tim Phillips
Office of Attorney General
Consumer Advocate and Protection Division
2nd Floor
425 5th Avenue North
Nashville, TN 37243-0491

Re: Petition of Chattanooga Gas Company for Approval of Adjustment
of its Rates and Charges and Revised Tariff
Docket Number 04-00034
Supplemental Discovery Requests to the Consumer Advocate
and Protection Division

Dear Vance and Tim:

Enclosed you will find Supplemental Discovery Requests to the
Consumer Advocate and Protection Division from Chattanooga Gas Company.

Sincerely,

D. Billye Sanders/hmd

D. Billye Sanders
Attorney for Chattanooga Gas
Company

DBS/hmd

August 2, 2004

Page 2

cc: Parties of Record
Tennessee Regulatory Authority
Archie Hickerson
Steve Lindsey
John Ebert, Esq.
Elizabeth Wade, Esq.

Discovery Item #1 as initially issued:

Provide detailed workpapers, cross referenced to source documents, which show the computation of each amount on the CAPD's exhibits to be filed in this docket that is different from the corresponding amount presented on Chattanooga Gas Company's exhibits filed in this docket.

At the May 10, 2004 conference it was determined that this request would be held until the CAPD's testimony and exhibits were issued. After the review of CAPD testimony and exhibits the discovery request is modified to request the source documents and workpapers which support the following:

Revised Discovery Item # 1.

On page 8 at lines 15-17 of his prefiled testimony Mr. McCormac states: "As shown on Exhibit CAPD-DM, Schedule 8, Line 1, reducing the number of employees back to a reasonable level will reduce the salaries and wages expense by \$302,000 or by about 10% of CGC's projection."

Provide detailed supporting documentation of the CAPD's determination of the "reasonable level" employees and the resulting of \$302,000 reduction in salaries and wage expense proposed by Mr. McCormac.

Discovery Item # 6 as initially issued

Produce copies of all documents or things shown to, delivered to, received from, relied upon, or prepared by any witness that may appear on behalf of the CAPD in any hearing in this docket, which are related to the witness(es)' expected testimony in this case, whether or not such documents are supportive of such testimony, including without limitation all documents or things provided to that witness for review in connection with testimony and opinions. Please indicate which witness identified in question 15 below received, relied upon or prepared the documents provided.

At the May 10, 2004 conference it was determined that this request would be held until the CAPD's testimony and exhibits were issued. After the review of CAPD testimony and exhibits the discovery request is modified to request the source documents which support the following:

Discovery Item # 6 Revised.

Produce a copy of all documents or things relied upon or prepared by the witness in reaching conclusions or opinions in this matter. (See transcript of May 10, 2004 conference page 59.)

Specifically provide copies of all documents utilized or relied up in reaching the following conclusion or opinions.

Refer to Mr. Chrylser's prefiled testimony page 5, lines 6 and 7.

Provide each and every document or other thing supporting Mr. Chrysler's assertion that Chattanooga Gas Company's employee levels remained constant **"until preparing for this case "**

Refer to Dr Brown's testimony, page 6, lines 1 and 2.

Provide each and every document or other thing supporting Dr. Brown's assertion that "AGL Resources' financial reporting procedures are inaccurate with respect to the equity return of CGC.

Refer to Dr. Brown's testimony, page 52, lines 20 and 21

Provide each and every documents or other evidence supporting the "\$2 million decline in revenues by the end of May 2003."

Discovery Item # 7 as initially issued

Produce a copy of all documents which relate or pertain to any factual information provided to, gathered by, utilized or relied upon by any witness that may appear on behalf of the CAPD in any hearing in this docket in evaluating, reaching conclusions or formulating an opinion in this matter. Please indicate which witness identified in question 15 below received, relied upon or prepared the documents provided.

Discovery Revised # 7

Produce a copy of all factual information utilized or relied upon by all witness in reaching conclusions or formulating an opinion in this matter. (See transcript of May 10, 2004 conference page 59.)

Specifically provide all factual information utilized or relied up in reaching the following conclusion or opinions:

Refer to Mr. Chrylser's prefiled testimony page 5, lines 6 and 7.

Provide all factual information utilized or relied upon by Mr. Chrysler in asserting that Chattanooga Gas Company's employee levels remained constant **"until preparing for this case."**

Refer to Dr. Brown's testimony, page 6, lines 1 and 2 .

Provide all factual information utilized or relied upon by Dr. Brown in asserting that "AGL Resources' financial reporting procedures are inaccurate with respect to the equity return of CGC.

Refer to Dr. Brown's testimony, page 52, lines 20 and 21

Provide all factual information utilized or relied upon by Dr. Brown in asserting "VNG has a \$2 million decline in revenues by the end of May 2003."

Discovery Item 9 as initially issued

Provide a copy of all articles or papers written by or co-written by any witness that may appear on behalf of the CAPD in any hearing in this docket, whether published or not.

Discovery Item 9 Revised:

Please provide copies of the articles published in Public Utilities Fortnightly mentioned on page 2 of Dr. Brown's testimony, and copies or summaries of any book, monograph, or article Dr. Brown has published in academic finance journals subject to peer review in the last five years dealing with the subject of corporate finance, investments, and regulation

Discovery Item 10 as initially issued:

Produce copies of all surveys of Chattanooga Gas Company's or other regulated gas utility's customers conducted by or on behalf of the CAPD.

Discovery Item 10 Revised

Admit or deny that the Consumer Advocate and Protection Division surveyed, had a survey conducted, and/or received complaints from the customers of Chattanooga Gas Company? If admit, please provide the results of such survey(s) and/or number and nature of complaints received.

Discovery Item 17

(a) Identify Dr. Brown's recommended capital structure and the costs rates for each component of the capital structure in each non-telephone rate case in which Dr. Brown has testified in the last five years and identify the common equity ratio, return on equity adopted by the regulatory agency in each case.

(b) For each case identified in (a) provide the prevailing yield on long-term U.S. Treasury bonds at the time Dr. Brown prepared his testimony..

Discovery Item 18

Provide a list and describe all college-level finance (corporate finance, investments, banking, regulation, etc.) courses Dr. Brown has taught in the last five years or is currently teaching, include the syllabus for these courses, and a list of textbooks/readings used in these courses. If unavailable for the last five years, provide such information and the year taught for the last five courses last taught.

Discovery Item 19

Please provide the currently authorized return on equity for each of the regulated companies used in Dr. Brown's sample group.

Discovery Item 20

If Dr. Brown's recommended cost of common equity does not assume the maintenance of the company's existing capital, please state Dr. Brown's recommended ROE under both the company's existing capital structure and his recommended capital structure

Discovery Item 21

If there are any investor-owned regulated utilities in North America with an allowed rate of return on common equity that is equal to, or less than, what Mr. Brown recommends in this proceeding, please identify each such utility.

Discovery Item 22

Is it Mr. Brown's opinion that natural gas distribution utility stocks have outperformed or underperformed the overall equity market in the last two years. Please provide any supporting evidence.

Discovery Item 23.

Is it Mr. Brown's contention that natural gas distribution utility stocks have become more risky, less risky, or as risky as in the past?

Discovery Item 24

If it is Mr. Brown's position that the parent-subsidary relationship influences the cost of capital, explain how it is influenced.

Discovery Item 25

Please restate the debt ratios shown on CAPD Exhibit SB___Schedule 3 without the inclusion of short-term debt.

Discovery Item 26

Provide the computational details for each beta estimate shown on Exhibit ____ CAPD-SB Schedule 28. In the details explain over what period were each of the betas measured; the market index that was employed, and the holding period returns that were used (daily, weekly, monthly)? If these betas are unadjusted, please provide the adjusted betas.

Discovery Item 27

Admit or deny that Dr. Brown reviewed Chattanooga Gas Company's responses to TRA Minimum Filing Guideline No. 80 filed February 9, 2004 or TRA data request ECON No. 2, filed May 6, 2004 prior to the completion of his direct testimony July 19, 2004?

Discovery Item 28

Refer to page 3, lines 7 and 8 of Dr. Brown's confidential testimony. Dr. Brown asserts that "CGC suffered a loss of \$800,000 in its dealings with Sequent" To what account or type of account on the books and records of CGC does Dr. Brown, or any other employee of the Consumer Advocate Protection Division, purport this "loss" was charged.

Discovery Item 29

Admit or deny that, during the past 10 years, the Consumer Advocate and Protection Division has participated in a rate case in which the utility is/was a subsidiary of a parent Company subject to the provisions of the Public Utility Holding Company Act of 1935 (PUHCA). As used here the current case involving Chattanooga Gas Company is excluded.

Discovery Item 30

On page 4 beginning at line 92 Mr. McGriff states: "Finally, contrary to the Company's assertion (that without the separate tracker to recover the cost of the program, Chattanooga Gas Company would be required to file for annual rate relief), the cost and duration of the proposed program is "known and measurable" and could readily be incorporate into rates being determined in the present case."

Provide any and all analysis that Mr. McGriff prepared or had prepared under his supervision that identify the "known and measurable" cost referenced by Mr. McGriff and show that rates can be implemented in this rate case that will allow the revenue requirement of the remaining nine years of the program to be recovered without subsequent rate increases.

Discovery Item 31

Identify by regulatory jurisdiction, docket number and date each rate proceeding in which Mr. McGriff has testified during the last five years.

Discovery Item 32

In Dr Brown's testimony, he includes numerous documents obtained from external sources to support his positions. These documents include, but are not limited to, filings by Virginia Natural Gas (VNG) with the Virginia State Corporation Commission (VSCC) and filings by AGL Resources Inc. (AGLR) with the SEC.

Provide any and all other filings by VNG with the VSCC and by AGLR with the SEC that were reviewed and/or analyzed while preparing for this proceeding, regardless of whether or not they were used to support Mr. Brown's assertions in his testimony.

Discovery Item 33

Provide complete details of the \$500,000 of "other" costs, including the type and nature of the costs referenced by Mr. McCormac on page 13, lines 21-24 of his testimony.

Discovery Item 34

Admit or deny that under the treatment of gain from non-jurisdictional transactions proposed by Mr. McCormac CGC's base rates would be reduced by approximately \$2,374,000 annually even if no such transactions occur in future years.

Discovery Item 35

Identify by docket any case in which the CAPD has taken a position either for or against the LifeLine or LinkUp programs provided by telephone companies that provide service in Tennessee

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August 2, 2004

VIA HAND DELIVERY

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Nashville, TN 37219

VIA EMAIL

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Grant, Konvalinka & Harrison, P.C.
633 Chestnut Street, 9th Floor
Chattanooga, TN 37450-0900

Re: Petition of Chattanooga Gas Company for Approval of Adjustment of
its Rates and Charges and Revised Tariff
Docket Number 04-00034
Supplemental Discovery Requests to Chattanooga Manufacturers
Association

Dear Henry and David:

Enclosed you will find Chattanooga Gas Company's Supplemental Discovery
Request to Chattanooga Manufacturers Association.

Sincerely,

D. Billye Sanders/hmd

D. Billye Sanders
Attorney for Chattanooga Gas Company

DBS/hmd

04 AUG 2 PM 1 57
IN REGULATORY AUTHORITY
DOCKET ROOM

August 2, 2004

Page 2

cc: Parties of Record
Tennessee Regulatory Authority
Archie Hickerson
Steve Lindsey
John Ebert, Esq.
Elizabeth Wade, Esq.

CMA

Discovery Item # 22

Mr. Spiers' prefiled testimony includes the following question and response:

- Q. Will the proposed balancing changes to I-1 and T-2 rate schedules increase cost for NA Industries Inc?
- A. The balancing cost will increase significantly for NA Industries, and others, and will not be manageable under the current proposed language. This will force NA Industries to take review of all of its options, including but not limited to installing a backup system or subscribing to another rate schedule.

Provide a detailed copy of any and all analysis that Mr. Spiers prepared or reviewed that show NA Industries Inc 's balancing cost under current tariff language, and under the proposed tariff language.

Discovery Item # 23

Mr Spiers' prefiled testimony includes the following question and response:

- Q. Does NA Industries have a recommendation regarding the proposed tariff change?
- A. We believe that the current tariff language for the I-1 and T-2 rate schedules should remain the same. The current tariffs allow NA industries options that have been and are beneficial to our business. This ensures that the value of the pipeline assets we subsidize through the rates are returned in the form of rate supply options that provide us energy costs savings.

Provide complete copies of any and all analysis that Mr. Spiers prepared or reviewed that identify the amount of any subsidy of pipeline assets provided by NA Industries.

Provide any and all analysis of the energy costs saving that result from rate supply options.

Discovery Item #24

The following question and response is provided on page 7, of Mr. Burton's prefiled testimony:

- Q. Can this functionality of a supply restriction rate be added to the existing billing system?

- A. Yes, with a few changes the billing system could be modified to bill this proposal. Furthermore, the complexity of billing would be greatly reduced relative to Chattanooga Gas Company's tariff proposal

Provide in complete detail, the few changes to the billing system that would be required as stated by Mr. Burton. Also provide the complete details of any and all analysis of the cost that would be incurred to make such changes and how the complexity of the billing would be greatly reduced..

Discovery Item #25

The following question and response is provided on page 5 of Mr. Burton's testimony:

- Q. Is the reference to Nashville Gas Company's tariff a fair comparison relative to cashout and imbalance costs?
- A. No. Nashville Gas Company's market is a firm transportation market. The costs of firm interstate service is the norm for the Nashville market. The market for interstate transportation to Chattanooga is mostly interruptible given the higher costs of interstate transportation and capacity constraints on Southern Natural and East Tennessee. Therefore, balancing is much more difficult if interstate transportation is subject to interruption when the pipeline issues an operational flow order. Nashville Gas Company's transportation customers receive firm service through most of their providers, thus enabling them to better manage balancing without the costs of capacity interruptions.

Provide any and all analysis of Nashville Gas Company's market and the Chattanooga Gas Company's market that Mr. Burton prepared or reviewed that provide the basis for his response to the question.

Discovery Item #26

The following question and response is provided on page 4 of Mr. Burton's testimony:

- Q. What is your opinion regarding the proposed cashout and monthly imbalance tariff proposed by Chattanooga Gas Company, and how the tariff compares with Chattanooga Gas Company's cost of balancing through their interstate pipeline suppliers?
- A. The potential balancing costs will be much higher for industrial end-users relative to Chattanooga Gas Company's actual costs. Let me explain. Most gas utilities are part of a pool of other utilities, and their cumulative delivery points are pooled together and served under an Operating Balance Agreement with East Tennessee Pipeline. Therefore there is a netting effect on the cumulative imbalance that

mitigates much of the cashout and balancing costs. Chattanooga Gas Company would also benefit from the netting effect of transport customers because some will be long and short, thus cumulative imbalances for the utility would be considerable less than the sum of imbalances. Another issue for industrial is the variability of their gas consumption load profile. Some industrials operate on a five day work week, or may have a random gas load profile that makes balancing difficult. The average variability for an industrial customer would be considerably higher than the variability of Chattanooga Gas Company. Thus, the forecasting and balancing required for industrial end-users is more difficult than a typical gas distribution company. Another issue is the price used for cashout and imbalance costs. Gas Company proposes to use the highest daily index, and their pipeline supplier, East Tennessee Natural Gas Company uses the highest weekly price published. Giving the volatile spikes with daily natural gas pricing, I would be concerned with this pricing methodology and additional cost impact to industrial endusers. Give the above issues addressed above, the balancing costs for industrial endusers served by Chattanooga Gas Company will be considerably higher than Chattanooga Gas Company's costs, furthermore, will result in additional costs to industrial end-users to accurately forecast and predict gas nominations and consumptions.

Provide complete copies of any and all analysis that Mr. Burton has conducted or reviewed that show the balancing cost for industrial end-users and for Chattanooga Gas Company under current and proposed rates.

Discovery Item # 27

Mr. Childers informed Mr. Larry Buie, Manager -Chattanooga Natural Gas Company, that only manufacturers are full members of the association and that all others are associate members.

Identify the current members of the Chattanooga Manufacturers Association that are currently full members and those that are associate members .

Discovery Item # 28

Distinguish between the rights and duties those who are full members of the CMA and associate members of the CMA. For example, explain if associate members serve on the board of the organization; if associate members vote on those appointed to the board; if associate members vote on decisions of the organization to intervene in rate proceedings, etc.

Discovery Item # 29

Provide copies of the documents that create the categories of membership in the Chattanooga Manufacturers Association.